



The AID

Newsletter



Mike Huckabee
Governor

Mike Pickens
Commissioner

Summer/Fall 2002

**Insurance News from the
ARKANSAS INSURANCE DEPARTMENT
We Work For You!**

Vol. III, No. 2

Insurance Commissioner Issues Warning: Beware of Unlicensed Health Plans

Check Before You Select!

State Insurance Commissioner Mike Pickens issues a warning to Arkansas consumers and employers in hopes of averting the operations of illegal and unlicensed health plan organizations within the State of Arkansas. Unauthorized health plans have left thousands of dollars worth of unpaid claims in Arkansas. Arkansas insurance consumers have been left with unpaid medical bills and are being pursued by collection agencies.

“The Insurance Department has uncovered a number of illegal entities selling unlicensed products to Arkansans,” Commissioner Pickens said. “We want to encourage

consumers to check out the company that’s attempting to sell them a ‘bargain’ health plan. Consumers should make sure such a company is legitimate and licensed to sell those products in the State of Arkansas.”

The Arkansas Insurance Department will warn consumers about illegal entities through a program entitled **Check Before You Select!**, which will kick off early

this fall. The program is designed to alert consumers of unlicensed companies operating in Arkansas and to educate them on typical selling techniques used by those organizations.

These companies, some of which are known as multiple employer welfare arrangements, or MEWAs, generally tell potential buyers they are exempt from state regulation and are regulated by

the federal government under the Employee Retirement Income Security Act (“ERISA”). The Arkansas Insurance Department has found that these claims can be false.

MEWAs and other unauthorized health entities are not covered by the State’s Life and Health Guaranty Fund, should the company become insolvent. Without the coverage of a guaranty fund in the event of an insolvency, enrollees would likely be responsible for medical expenses incurred during the time they believed they were covered by the illegal company.

In the past year, the Arkansas Insurance Department issued Cease

Inside The AID

Insurance Commissioner Issues Warning:

<i>Beware of Unlicensed Health Plans</i>	<i>Page 1</i>
<i>State's Auto Rates Lower Than Neighboring States—</i>	<i>Page 2</i>
<i>Commissioner's Comments</i>	<i>Page 3</i>
<i>AMS Staff Leasing Ordered to Cease Operations . .</i>	<i>Page 4</i>
<i>State Farm Discontinues Writing New</i>	
<i>Homeowner Insurance</i>	<i>Page 5</i>
<i>Insurance Fraud Director's Conference</i>	<i>Page 5</i>
<i>The Rate Report</i>	<i>Page 6</i>
<i>Mission Statement</i>	<i>Page 8</i>

For more information, visit our web site at www.accessarkansas.org/insurance

The Arkansas Insurance Department is located at 1200 West Third Street (the corner of Third and Cross Streets) in Downtown Little Rock, Arkansas. The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of Arkansas laws impacting the insurance industry. Our primary mission shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.



Insurance Commissioner Issues Warning: Beware of Unlicensed Health Plans (Cont.)

and Desist Orders to three illegal companies, American Benefit Plans, AMS Staff Leasing, and TRG. Other companies are currently under investigation by the Department.

The Arkansas Insurance Department encourages consumers to *Check Before You Select!* by calling its Consumer Services Division at 1-800-852-5494, to verify the company being considered is licensed to operate in the State of Arkansas.

Illegal Entity (MEWA) Warning Tips:

- Beware if a licensed insurance agent attempts to sell you health coverage that claims to be an ERISA plan.
- Be skeptical if premiums seem low, compared to other plans; or if the plan offers coverage without a pre-existing clause. If a plan seems too good to be true, it probably is!
- Investigate offers that avoid the word “insurance” or the use of insurance terminology
- Watch out for terms like “consultant fees” (instead of commissions) and those that refer to payments as “contributions.”
- Be skeptical if companies fail to disclose name of carrier for products they claim to be “fully insured” or “fully funded.”
- Investigate a company if enrollees are required to join and pay dues to an “association” to obtain health coverage.

State's Auto Rates Lower Than Neighboring States

Auto insurance premiums in the State of Arkansas are lower than premiums in neighboring states, according to a report released earlier this year by the National Association of Insurance Commissioners (NAIC).

Arkansas ranked 33rd in 2000 for the average cost of auto insurance, offering premiums lower than Louisiana, Mississippi, Missouri, and Texas. According to the NAIC report, Arkansas's average cost for auto insurance for 2000 was \$606, compared to Louisiana's \$806, and Mississippi's \$654. The average auto premium for Texas for the same period was \$677.

“Although we have seen some rate increases in auto insurance over the past few months, the report

issued recently by the NAIC indicates we did not see much increase in the automobile insurance market from 1999 to 2000,” Commissioner Mike Pickens said. “Arkansas ranked below the national average in overall auto insurance rates.”

The national average premium for automobile insurance in 2000, according to the report was \$687. Arkansas ranked 33rd in the nation with North Dakota having the lowest average premium of \$477; the District of Columbia had the highest at \$996. Based on the configuration of the NAIC report, the higher the ranking, the lower the premium.

Commissioner's Comments



Consumers' #1 Complaint: The Ever-Increasing Cost of Health Insurance

Far and away, the number one complaint we receive about insurance in our state relates to health insurance: Consumers are concerned health insurance costs much more than they can afford to pay.

After experiencing relatively incremental health care and health insurance cost increases during the mid-to-late 1990s, Americans have seen double-digit increases in recent years, including an estimated overall increase of 13.7% between 2001 and 2002 for large employers, according to a PriceWaterhouseCoopers report published earlier this year. The cost of medical care, pharmaceuticals and high utilization are among the primary cost drivers. Surveys indicate increases in the cost of medical care as high as 15% nationwide. Pharmaceutical costs have risen as much as 37% nationwide. These cost increases oftentimes leave consumers confused, angry and desperate. The high cost of traditional health insurance is leading many Americans to seek "alternative" means for providing their family's health insurance protection. In Arkansas and around the country we have seen a proliferation of illegal health insurance entities, with one of our sister states reporting the illegal operation of as many as 43 entities this year.

In Arkansas a coalition of consumer/employer groups, insurance experts, state agencies, medical care providers and other interested parties worked together to obtain a grant to study the problem of the uninsured. This process identified exactly who the uninsured are in our state, the reasons they are uninsured, and proposed a number of initiatives to help folks find insurance. This effort, coupled with the very successful ARKids First Program which has helped insure some 135,000 Arkansas children since its inception in 1997, provides Arkansas a good start in improving our health insurance marketplace.

During our 2001 legislative session, the Arkansas General Assembly passed some significant pieces of health insurance legislation. First, the Arkansas Health

Insurance Consumer Choice Act is designed to give fully-insured health insurance consumers the same options available to self-insured consumers. Now, consumers may choose between health insurance policies that contain all of the state-mandated coverages and benefits

or policies that contain none or some of the state mandates. We are just now beginning to see some new, less costly health insurance products hit our market because of this law.

Second, the Health Insurance Purchasing Group ("HIPG") Act allows small employers to form purchasing pools in order to spread the risk and, theoretically, obtain lower insurance premiums than they could obtain on their own. Significantly, the HIPG is a fully-insured health plan subject to all our solvency and market conduct consumer protection laws. We expect to see at least one (1) HIPG soon in Arkansas.

Since the states only regulate about 25% of the health insurance marketplace, what can and should regulators do to address the problems with the cost of health insurance? State regulators need to ask themselves this question and take the lead in finding novel, market-based solutions to this real insurance problem that affects each and every person, family and business in this country. We believe Arkansas has taken some very good steps in that direction.

In light of the rising health care costs, I want to sound an alarm about illegal companies selling "bargain" insurance plans here in the State. This newsletter contains information on our new consumer awareness program called "Check Before You Select!" For your protection and financial well-being, I encourage you to do just that.



Commissioner Mike Pickens



AMS Staff Leasing Ordered to Cease Operations

Insurance Commissioner Mike Pickens has issued AMS Staff Leasing an order demanding that it cease and desist its illegal insurance operations in the State of Arkansas.

Based in Dallas, Texas, AMS Staff Leasing and its president Charles D. Wood, Jr. had operated as an employee leasing firm in the State of Arkansas but had not obtained the proper license to operate in that capacity. The company also falsely held it had secured workers' compensation insurance and proceeded to offer workers' compensation coverage to Arkansas employers. The Order requires AMS and its president to immediately stop marketing unregistered, illegal, or unlicensed plans in the State of Arkansas.

"This Department is working diligently to ascertain which employers and the number of consumers that may be affected by the illegal activities of this company," Commissioner Pickens said. "We want to be sure those individuals and companies are informed that they do not have

insurance so they can take the necessary steps to obtain the coverage they need."

AMS has been ordered by the Insurance Department to notify its clients, and all of its affiliates of the Commissioner's order to cease and desist writing any business in the State of Arkansas. The Insurance Department is also making efforts to notify the company's clients that they do not have insurance coverage.

Individuals or companies considering purchasing coverage through an employee leasing firm are encouraged to contact the Arkansas Insurance Department to verify the company is licensed in the State of Arkansas to sell the product being considered. Those interested in receiving this information may call the Department's Property and Casualty Division at 501-371-2808 or 1-800-282-9134. Information may also be obtained by visiting the Department's Web site at www.accessarkansas.org/insurance; click on the "Licensed Employee Leasing Firms" link. This link can be found on the Property & Casualty Division home page.

2002 INSURANCE FRAUD DIRECTOR'S CONFERENCE



October 14-16, 2002
Doubletree Hotel
Little Rock, AR

State Farm Places 6-Month Moratorium On New Homeowners' Insurance Business



In July, State Insurance Commissioner Mike Pickens announced intentions by State Farm Insurance Company to place a 6-month moratorium on new homeowners' business in Arkansas and in 35 other states.

State Farm officials told the Insurance Department they would, for 6 months, no longer write new homeowners' insurance in the State, except to accommodate existing customers. According to the company, this decision was based on the company's loss experience in the State.

In addition to Arkansas, State Farm took similar action in some 35 other states including Louisiana, where the company said it would no longer write either new auto or new homeowners' insurance.

"We are disappointed to see State Farm take this action," Commissioner Pickens said. The Insurance

Department has worked with the company to try to help it restructure its programs, and has permitted actuarially supported rate increases. We are hopeful the company will get back in the market after the first of the year."

State Farm received a 23.6% increase earlier this year. However, the company said it continues to lose money in the states where it will cease to write new business. The company said it will continue to service its current homeowner policyholders and will renew those customer's policies subject to the company's underwriting guidelines. State Farm also said it hopes the new business moratorium will only last 6 months.

State Farm customers may call their State Farm agent with questions regarding any changes that may occur as a result of the company's actions. Consumers may also call the Consumer Services Division of the Arkansas Insurance Department at 1-800-852-5494.

- **Governor Mike Huckabee has declared October 15th as Insurance Fraud Awareness Day.**
- **Guest Speaker: Ms. Sandra Cherry, Senior Assistant United States Attorney for the Eastern District of Arkansas. Ms. Cherry has been with the U.S. Attorney's Office for over 20 years, and is the current President of the Arkansas Bar Association.**
- **Group Dinner: On Tuesday evening, October 15, 2002, the Insurance Fraud Investigation Division will host an Arkansas-style Outdoor BBQ on the banks of the Arkansas River.**
- **Golf: Officially sanctioned golf outings have been scheduled for Sunday, October 13 and Wednesday afternoon, October 16.**
- **For more information please contact Ms. Shirley Pegg of the Insurance Fraud Investigation Division at (501) 371-2790, (800) 866-660-0888 or shirley.pegg@mail.state.ar.us.**



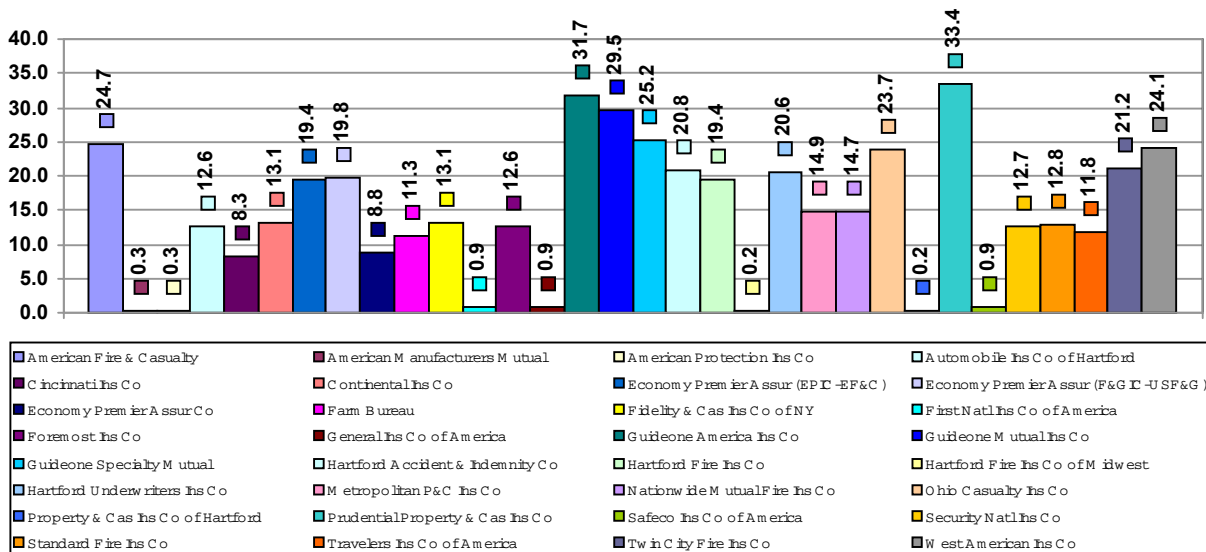
The Rate Report

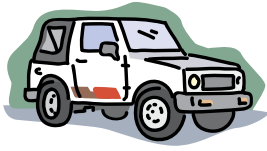


The following property and casualty rates are provided to you as a service of the Property and Casualty Division of the Arkansas Insurance Department. The rates listed in this report reflect rate increases and decreases that have been filed with the Department from December 2001 through March 2002. The market, not the State, sets the rates in Arkansas. We will utilize this section of the newsletter to keep you informed of rate changes as they occur and are released through the Department.

Homeowners Rate Changes 6/1/02 to 10/1/02

Company	Percent of Increase/Decrease	Effective Dates	
		New Business	Renewals
American Fire and Casualty	+24.7	10/01/2002	11/21/2002
American Manufacturers Mutual	+0.25	07/26/2002	08/26/2002
American Protection Insurance Company	+0.25	07/26/2002	08/26/2002
American Insurance Company of Hartford	+12.6	07/04/2002	07/04/2002
Cincinnati Insurance Company	+8.31	09/02/2002	09/02/2002
Continental Insurance Company	+13.1	08/15/2002	08/15/2002
Economy Premier Assurance (EPIC-EF&C)	+19.4	09/15/2002	10/15/2002
Economy Premier Assurance (F&GIC-USF&G)	+19.8	09/15/2002	10/15/2002
Economy Premier Assurance Company	+8.8	07/15/2002	07/15/2002
Farm Bureau	+11.3	09/01/2002	09/01/2002
Fidelity & Casualty Insurance Company of New York	+13.1	08/15/2002	08/15/2002
First National Insurance Company of America	+0.9	08/01/2002	09/10/2002
Foremost Insurance Company	+12.6	08/01/2002	09/01/2002
General Insurance Company of America	+0.9	08/01/2002	09/10/2002
Guidone America Insurance Company	+31.7	07/01/2002	08/15/2002
Guidone Mutual Insurance Company	+29.5	07/01/2002	08/15/2002
Guidone Specialty Mutual	+25.2	07/01/2002	08/15/2002
Hartford Accident and Indemnity Company	+20.8	07/02/2002	07/02/2002
Hartford Fire Insurance Company	+19.4	07/02/2002	07/02/2002
Hartford Insurance Company of Midwest	+0.2	09/04/2002	09/04/2002
Hartford Underwriters Insurance Company	+20.6	07/02/2002	07/02/2002
Metropolitan Property and Casualty Insurance Company	+14.9	07/01/2002	08/15/2002
Nationwide Mutual Fire Insurance Company	+14.7	08/12/2002	08/12/2002
Ohio Casualty Insurance Company	+23.7	10/01/2002	11/21/2002
Property and Casualty Insurance Company of Hartford	+0.2	09/04/2002	09/04/2002
Prudential Property and Casualty Insurance Company	+33.4	06/14/2002	08/02/2002
Safeco Insurance Company of America	+0.9	08/01/2002	09/10/2002
Security National Insurance Company	+12.7	06/01/2002	06/01/2002
Standard Fire Insurance Company	+12.8	07/04/2002	07/04/2002
Travelers Insurance Company of America	+11.8	07/04/2002	07/04/2002
Twin City Fire Insurance Company	+21.2	07/02/2002	07/02/2002
West American Insurance Company	+24.1	10/01/2002	11/21/2002



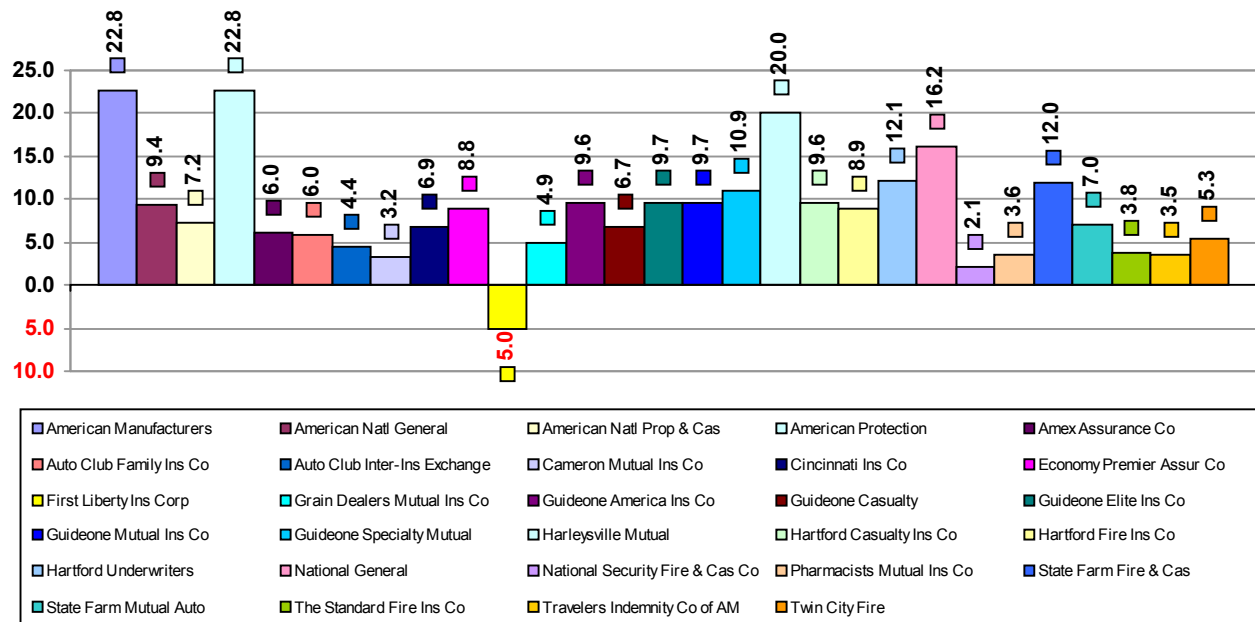


The Rate Report



Personal Auto Rate Changes 6/1/02 to 10/1/02

Company	Percent of Increase/Decrease	Effective Dates	
		New Business	Renewals
American Manufacturers	+22.76	07/26/2002	08/26/2002
American National General	+9.4	06/15/2002	07/01/2002
American National Property & Casualty	+7.2	06/15/2002	07/02/2002
American Protection	+22.76	07/26/2002	08/26/2002
Amex Assurance Company	+6.0	06/26/2002	06/26/2002
Auto Club Family Insurance Company	+5.98	07/01/2002	07/01/2002
Automobile Club Inter-Insurance Exchange	+4.38	07/01/2002	07/01/2002
Cameron Mutual Insurance Company	+3.2	08/01/2002	08/01/2002
Cincinnati Insurance Company	+6.86	09/01/2002	09/01/2002
Economy Premier Assurance Company	+8.8	07/15/2002	07/15/2002
First Liberty Insurance Corporation	-5.0	07/15/2002	07/15/2002
Grain Dealers Mutual Insurance Company	+4.93	08/01/2002	08/01/2002
Guideone America Insurance Company	+9.6	08/15/2002	09/19/2002
Guideone Casualty	+6.73	06/03/2002	06/03/2002
Guideone Elite Insurance Company	+9.7	08/15/2002	09/19/2002
Guideone Mutual Insurance Company	+9.7	08/15/2002	09/19/2002
Guideone Specialty Mutual	+10.9	08/15/2002	09/19/2002
Harleysville Mutual	+20.0	06/01/2002	07/10/2002
Hartford Casualty Insurance Company	+9.6	08/01/2002	08/01/2002
Hartford Fire Insurance Company	+8.9	08/01/2002	08/01/2002
Hartford Underwriters	+12.1	08/01/2002	08/01/2002
National General	+16.2	07/25/2002	08/25/2002
National Security Fire and Casualty Company	+2.1	08/01/2002	09/01/2002
Pharmacists Mutual Insurance Company	+3.6	08/01/2002	08/01/2002
State Farm Fire and Casualty	+12.0	08/15/2002	08/15/2002
State Farm Mutual Automobile	+7.0	08/15/2002	08/15/2002
The Standard Fire Insurance Company	+3.8	07/13/2002	07/13/2002
The Travelers Indemnity Company of America	+3.5	07/13/2002	07/13/2002
Twin City Fire	+5.3	08/01/2002	08/01/2002





Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
Tel: (501) 371-2600, (800) 282-9134
Fax: (501) 371-2618
E-mail: insurance@mail.state.ar.us



Mission Statement:

The purpose of the State Insurance Department is to serve and protect the public interest by the equitable enforcement of the state's laws and regulations affecting the insurance industry.

The primary mission of the State Insurance Department shall be consumer protection through insurer solvency and market conduct regulation, and fraud prosecution and deterrence.

*To add or remove your name from our mailing list, please contact Sandy Currington at (501) 371-2620.
You can view The AID Newsletter on the Department's web site at www.accessarkansas.org/insurance.*